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IDENTIFIERS *Program for Acquiring Competence Entrepreneurship

ABSTRACT

This individualized, competency-based unit on managing sales efforts, the 14th of 18 modules, is on the third level of the revised Program for Acquiring Competence in Entrepreneurship (PACE). Intended for the advanced secondary and postsecondary levels and for adults wanting training or retraining, this unit, together with the other materials at this level, emphasizes the actual application of a business plan. Three competencies are dealt with in this instructional unit, including (1) developing a sales plan for one's business, (2) developing policies and procedures for serving one's customers, and (3) developing a plan for training and motivating salespeople. Materials provided include objectives, preparation information, an overview, content (with questions in margins that guide the students' reading), activities, assessment forms, and notes and sources. The unit requires using approximately 3 hours of class time. (YLB)

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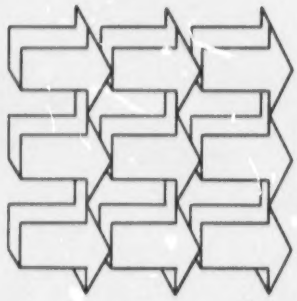

UNIT 14

☐ Level 1
☐ Level 2
☑ Level 3

Managing Sales Efforts

Developed by M. Catherine Ashmore and Sandra G. Pritz

You will be able to:

- **Develop a sales plan for your business.**
- **Develop policies and procedures for serving your customers.**
- **Develop a plan for training and motivating salespeople.**

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Research & Development Series No. 240 CB 14

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met at Levels 1 and 2:

   Level 1 -

   - Discuss the role of selling in different types of small business
   - Define selling as stated by the American Marketing Association
   - Describe what salespeople need to know about their customers to be successful at selling
   - Describe what salespeople need to know about themselves to be successful selling

   Level 2 -

   - List sources of product/service information
   - Describe customer buying motives
   - List and discuss the basic types of customers to which your business will appeal
   - Demonstrate the process of selling
   - Discuss sources for finding new customers

   If you feel unsure about any of these topics, ask your instructor for materials to review them.

4. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide*.

   buying motive
   prospecting
   selling

MANAGING SALES EFFORTS

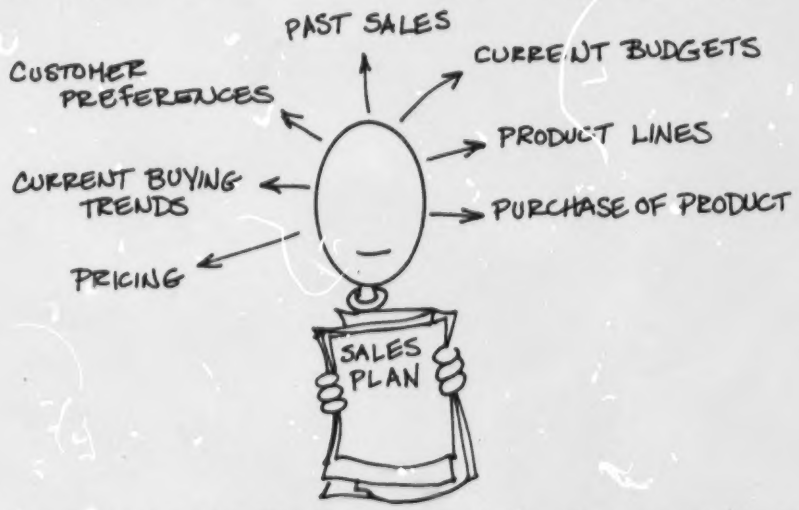
WHAT IS THIS UNIT ABOUT?

This unit should aid you in developing a sales plan for your business. It should aid you in the process of developing policies and procedures for serving customers, and training and motivating salespeople.

SHOULD YOU HAVE A SALES PLAN FOR YOUR BUSINESS?

It is important that entrepreneurs develop a sales plan for their businesses. Planning is an activity that sets policies and assigns responsibilities for procedures to accomplish policies. Planning involves examining past activities and thinking about future activities by forecasting.

Several factors must be considered in the planning process. Entrepreneurs should be concerned with such factors as customer preferences, current buying trends, past sales of merchandise, current budgets, product lines, the purchase of products, and pricing. Sales forecasting is a framework upon which all other aspects of



planning are based. The importance of the sales forecast should not be overlooked. In the small business, forecasting is usually performed by the entrepreneur. A sales forecast is an estimate of sales for a specified future period. This is a projection of future revenue to the business. Sales forecasts should be developed for use in setting sales quotas and developing sales budgets.

HOW DOES AN ENTREPRENEUR DEVELOP SALES FORECASTS?

If an entrepreneur is going to develop a useful sales forecast, relevant information must be available. The direct estimation of dollar sales requires the following data:

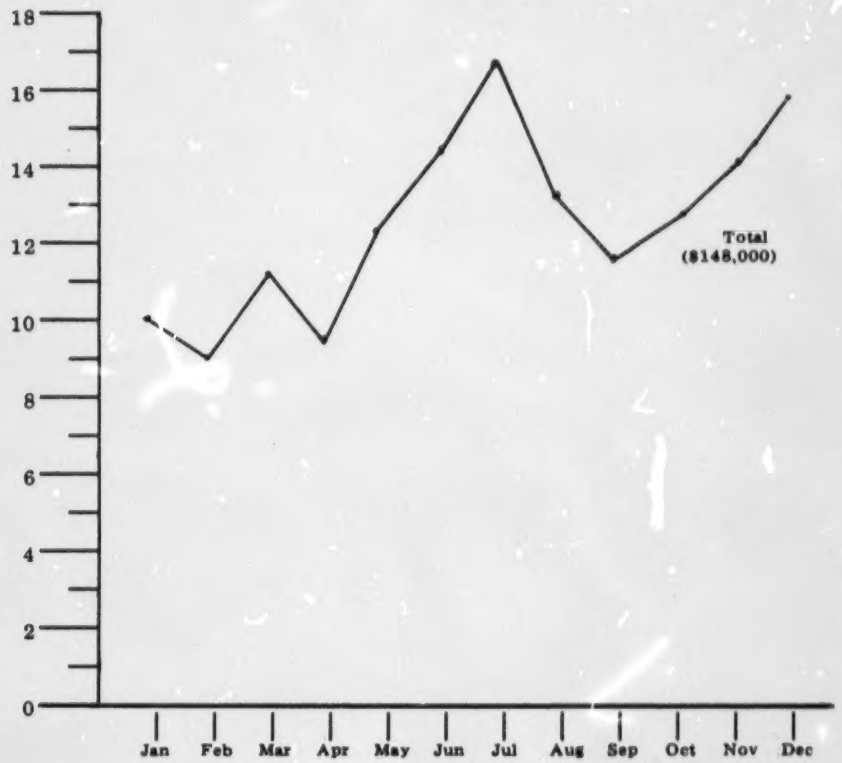
- A long-term sales trend report that is reflective of a normal growth rate
- Conditions outside the business that affect sales
- Conditions within a business that affect sales
- Conditions within a business that affect future sales

CAN CHARTING BE HELPFUL?

Charting a sales forecast, and comparing the actual sales of a salesperson versus the expected sales (quotas) of a salesperson may prove to be very useful. Developing such charts may also be helpful in creating a good personnel structure for your business. If you are the owner of a small appliance store, for example, your sales forecast for the next year may look like the following:

SALES FORECAST
ABC APPLIANCE STORE

(In thousands, Gross)



Breaking this down even further can give you expectations and quotas that must be met by salespersons. Using the same small appliance store in the previous example a chart may look like the following:

EXPECTED AND ACTUAL SALES FOR SALESPERSONS
IN JANUARY (In Units)

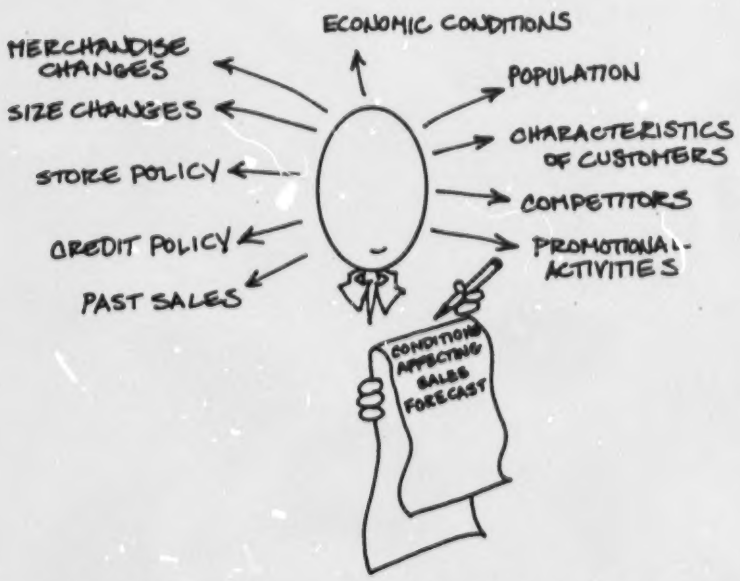
Salesperson	Week 1		Week 2		Week 3		Week 4		Total for Month	
	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual
Mary S.	20	24	20	16	20	23	20	25	80	88
Bill T.	20	18	20	23	20	20	20	23	80	84
Jan M.	20	20	20	18	20	16	20	22	80	76

Total Expected 240
Actual Total Sales 248

From the two charts it's easy to see that total sales for the month of January were slightly above the sales forecast. (Total expected sales of 240 units for the month of January would equal the total sales forecast figure of $10,000.)

In examining long-term sales trends, be sure to review past sales experience. Such past sales experience should give you a good indication of future sales activities.

Several conditions outside the business can affect the sales forecast. Entrepreneurs should note the current economic conditions of the country in general and the local community. Changes in the population and characteristics of customers in the immediate vicinity of the business should be noted. Changes in competitors, promotional activities, size, appearance, and number should be examined. Changes in merchandise itself can also be an outside influence.

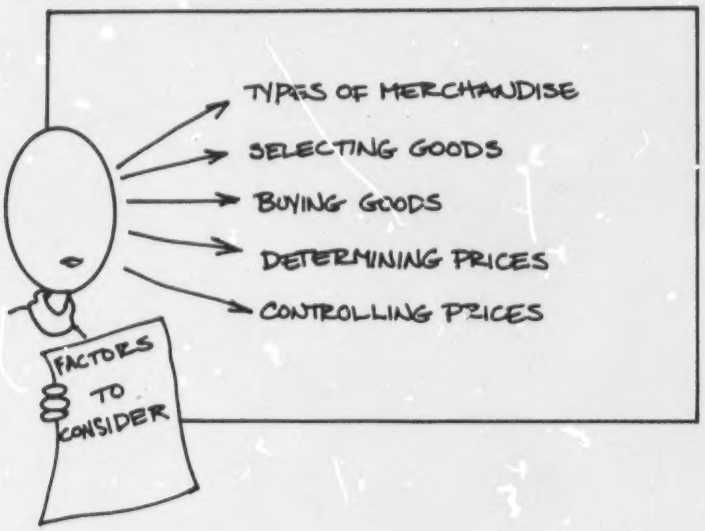


Several inside conditions within a business also affect the sales forecast. These conditions include changes in basic store policy or changes in policies that affect store credit.

Entrepreneurs may choose to liberalize or curtail credit. The addition or elimination of merchandise lines, expansion or reduction of customer parking spaces, changes in store hours, and the opening of additional or branch stores can affect the forecast.

WHO PERFORMS PLANNING ACTIVITIES?

Planning activities may be performed in different ways. Usually performance is determined by the company size and the form of organization. In the small business organization this activity is often the responsibility of the owner or manager. In thinking about planning activities, the owner/manager (or other designated person) needs to consider factors such as types of merchandise to be handled, selecting and buying the goods from suppliers, and determining and controlling the prices.



Many times the small business organization has a very simple merchandising structure. These types of businesses generally carry relatively few products, offer limited services, and have simplified planning procedures. In addition, employees of a small business usually perform a wide variety of duties.

WHAT IS MARKET PLANNING?

In the small business operation, entrepreneurs want to make the buying and selling of goods as efficient as possible. This is usually done through a market plan. A market plan may be viewed as a program that helps you set definite goals for your different buying and selling activities. These goals are usually reflected in dollar amounts. With the establishment of specific goals, employees know exactly what performance is expected from them. With an effective market plan, guidelines may also be established for the advertising budget, prices, and price adjustments.

WHAT IS THE PLANNING PROCESS?

The following process should be used for market planning:

1. Determine a central marketing policy for your business. In other words, decide what type of customer you wish to attract. In determining a central market policy, you should examine factors such as fashion leadership, lines of products, quality, assortments, prices, services to be offered, and convenience.

2. Try to keep your marketing policy effective. You will know that it's effective if you can answer "yes" to the question, "Is my business attracting the type of customer that I want to attract?"

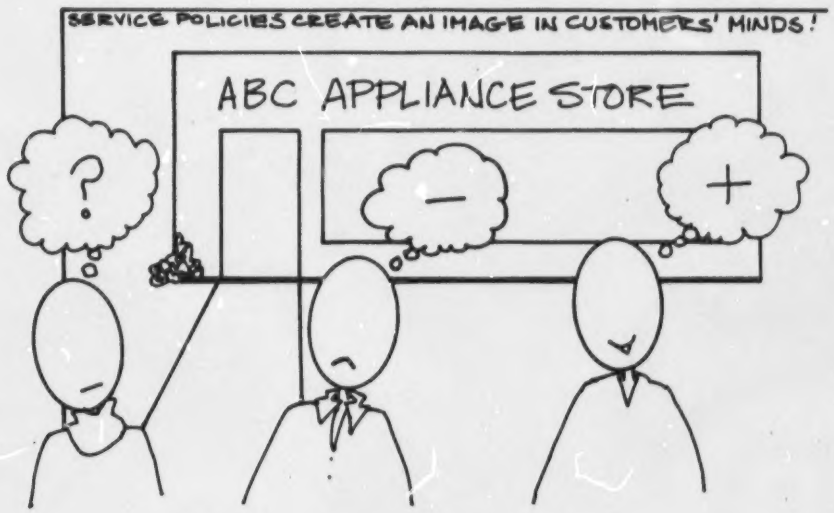
3. Develop your market plan in dollar figures. You should set dollar amounts for expected sales, stock, purchases, expenses, prices, and adjustment to prices. When determining these

dollar goals, they should be both realistic and attainable. You can set these goals by examining such factors as past sales or performance, changes in competition, and local and national economic trends.

4. Compare your actual performance to your predetermined goals. Be sure to examine areas such as sales, purchases, prices, stocks, and expenses.

WHAT TYPE OF SERVICES WILL YOU OFFER YOUR CUSTOMERS?

As an entrepreneur, you should decide what type of services your business will offer to customers. Be sure to make these services clear in your sales plan. The service policies that you establish will create an image in the minds of customers before, during, and after the sale.



Business may provide four basic types of services:

- Selling and shopping services
- Convenience services
- Profit services
- Community services

In essence, selling and shopping services are services associated with the selling of goods. Convenience services are not associated with the products being sold. These may include an information desk, parcel checking, telephones, and lounges. Profit services are services you perform for the customer in expectation of a profit for your company. These are services the entrepreneur charges to perform. The last type is community service. These are services undertaken in the interest of the community. The following table illustrates how services may be divided into the four categories.

TABLE 1

SERVICE POLICIES

Selling and Shopping Services	Convenience Services
Personal selling	Doormen
Mail order selling	Lounges and playrooms
Telephone selling	Information desk
Personal shopping service	Lost and found desk
Fashion shows	Parcel checking
Wrapping and bagging	Parking space
Returns and adjustments	Telephones
Delivery	First aid station
Alterations	Convenient store hours
Credit	
Layaway plans	
Profit Services	**Community Services**
Installation repairs	Entertainment
Restaurants	Exhibits
Snack counters	Demonstrations
Travel and ticket bureaus	Lectures
Insurance	Sponsorships
Rentals	Contributions

SOURCE: Samson, Harland E; Little, Wayne G.; and Wingate, John W. *Retail Merchandising: Concepts and Applications.* Cincinnati, Ohio: South-Western Publishing Co., 1982.

WILL YOU OFFER PERSONAL SELLING OR SELF-SERVICE?

As an entrepreneur, you will need to decide what type of selling service you will offer. You may decide to choose personal selling, self-service, or a combination of the two. The method you choose will probably depend on the type of merchandise you sell.

In self-service, the customer usually selects the merchandise he/she wishes to purchase and takes it to a checkout person. In personal selling, however, a salesperson is available to sell directly to the customer. Many customers prefer this type of attention and assistance, when purchasing products such as home furnishings, clothing, or automobiles.

SHOULD SALESPEOPLE RECEIVE TRAINING?

In establishing your own small business, it is important not to overlook employee training. Sales training is possible in the small business organization as well as the large company. The employee, employer, and customer all benefit from trained salespeople. With

proper training, employees can be more effective in the use of their job skills and will maintain higher morale.

One of the main reasons your company should have an employee training program is to help employees develop good work habits. By employing persons with such habits, you'll be building the respect of your customers (and potential customers) for not only your business, but also your products. Other benefits of employee training include—

- increased employee efficiency and productivity,
- reduced employee supervision,
- reduced employee turnover,
- better service for your customers,
- increased customer satisfaction.

WHAT ARE THE FORMS OF TRAINING?

There are basically two distinct forms of training: formal and informal. Formal training is conducted by many larger companies. Usually this type of training involves carefully planned programs complete with schedules, lesson plans, visual aids, and other teaching devices.

Systematic reviews and evaluations are also a part of formal training. In formal training there are usually three distinct phases: designing the sales training program, managing its operation, and evaluating its success.

Informal training programs are also important for the maintenance of an efficient sales force. Many times this type of training is done by the entrepreneur. Usually this involves working with salespeople individually, guiding their activities, and advising them on improvements that should be made. Even though this type of training does not utilize a formal training plan, you should examine the value of this type of training.

WHO SHOULD BE TRAINED?

In general, training programs should be provided for a wide range of personnel. For full-time employees, training may be offered to three major groups. These groups would include the inexperienced

salesperson, the new experienced salesperson, and the experienced salesperson. The inexperienced salesperson would include those persons who did not have prior selling experience. The new experienced salesperson would include those persons who have prior sales experience but with a different employer. The experienced salesperson would be those employees who have been employed with the business but are in need of training.

Another important consideration is part-time employees. These people should not be overlooked. They should also be provided with training that will enable them to be successful employees.

WHAT TRAINING SHOULD NEW EMPLOYEES RECEIVE?

New employees should be given training that relates to their job needs. This type of training will aid new employees in getting a correct start on their new job. Many times the training of new employees occurs in two phases. The first phase is usually an orientation. The second phase deals more with the specifics of the job. In the first phase, employees may be presented with information that provides a review of what the business expects of workers, an explanation of what the business offers employees, and an explanation of how the business fits into marketing within its industry.

The second phase would include such factors as a detailed explanation of the responsibilities of the job, information concerning specific products, major selling points, and techniques for answering customers' questions and overcoming objections.

WHEN SHOULD EXPERIENCED SALESPEOPLE RECEIVE TRAINING?

Sometimes it is necessary to provide training for experienced salespeople. Training should be provided when:

- new products are introduced;
- new types of customers are being solicited;
- new reporting or new sales operating procedures are to be introduced;
- an employee is promoted to a supervisory position;
- a salesperson has acquired improper sales habits; and
- environmental conditions such as competition, economic conditions, or governmental regulations change in such a way as to affect selling operations.

WHAT METHODS MAY BE USED IN TRAINING?

You can use several methods to train employees. You may choose a single method or a combination of methods. Some of the methods you may want to examine include lecture-discussion, role playing, panels, observed sales calls, programmed instruction, or case study.

The lecture-discussion method is a formally structured, verbal presentation of information. Many times this method is used when the trainer wants to present a great deal of information in a short period of time. It is an effective method of transmitting straight factual information.

In role playing, a problem situation is usually stated and employees act out important roles in the problem. These roles usually include the salesperson and the customer. This type of technique has the advantage of adding realism and interest to the training. It may also aid in increasing the employee's ability to react immediately to a selling problem.

Panels usually consist of small groups of trainees who make short presentations on a training topic. Usually these presentations are followed by a question and answer period.

In the observed sales call method, the new employee observes an experienced employee. The new employee is able to observe techniques and methods used by the experienced salesperson during an actual sale.

Programmed instruction is a relatively new technique being used for sales instruction. Through this type of instruction, the salesperson usually receives printed materials and will advance to additional materials once the previous materials have been learned. By using this system, employees are able to advance at their own rate with little outside assistance.

In the case study method, problems are presented to the trainees for discussion. They are then expected to present possible solutions to the problem.

IS IT IMPORTANT TO MOTIVATE SALESPEOPLE?

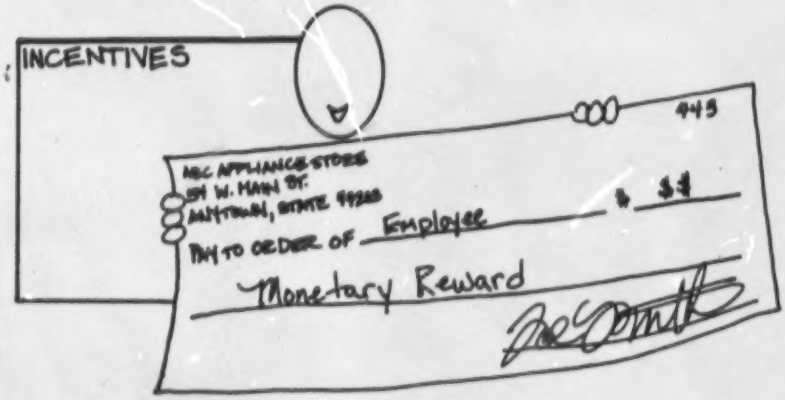
While it is important that salespeople are trained in the techniques of selling, it is very important that they are motivated to want to sell. There are several ways the owner of a small business can motivate salespeople to want to sell. This may be accomplished through personal supervision, financial incentives, or nonfinancial incentives. Salespeople are usually motivated by a combination of these incentives. It is the responsibility of the employer to discover what each individual salesperson needs or wants.

WHAT IS INCLUDED IN NON-FINANCIAL INCENTIVES?

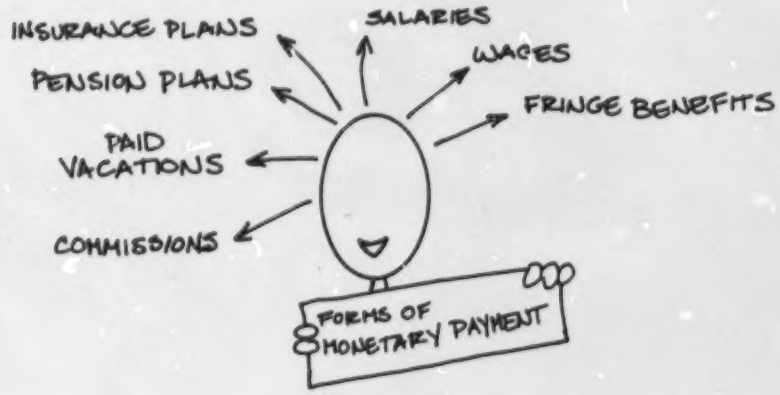
In many cases, the amount of personal supervision you can give an employee is limited by the fact that you have many other tasks to perform. Thus other incentives must be used to motivate employees. Nonfinancial incentives may include a variety of techniques used for specific, special effort situations. These may include such things as sales conventions and meetings, sales contests, and honors and recognition.

WHAT IS INCLUDED IN FINANCIAL INCENTIVES?

Two types of financial incentives are usually provided to employees. These may be direct monetary payments, such as salaries and wages, or they may be indirect monetary rewards. Many times indirect monetary rewards are referred to as fringe benefits. With indirect monetary rewards you may want to include such items as paid vacations, insurance plans, or pension plans.



Direct monetary payments usually take the form of a straight salary, straight commission, or a combination of the two. Straight salary plans are easy to administer and budget. Under this plan, salespersons receive a fixed weekly wage. Their earnings remain the same, regardless of the amount of sales. Straight commission plans provide more financial motivation for the salespersons to sell. The salespersons are paid a commission depending upon their amount of sales for a time period. In the combination plan, salespersons receive some salary and some commission. Usually these plans offer the owner greater flexibility in providing financial motivation to employees.

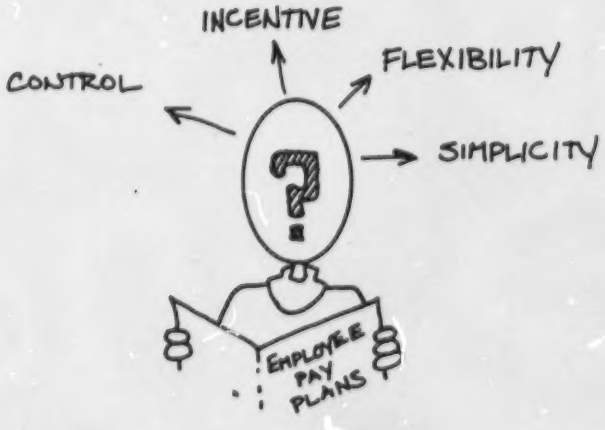


WHAT FACTORS DETERMINE WHICH PLAN TO USE?

Basically there are four factors that determine the type of employee pay plan implemented by a business. They are:

- Control
- Incentive
- Flexibility
- Simplicity

A decision must be made as to how much control the owner desires over his/her employees. A combination salary and commission plan may be implemented if it is important to control the way salespeople spend their time.



The type of incentive is also a factor. Incentives should be offered that motivate salespeople to perform certain tasks.

The amount of flexibility needed should also be considered. Many times the combination plan offers more flexibility than straight salary and straight commission.

The compensation plan should be simple. It should be both easy to understand and administer. Salespeople should be able to understand precisely how their wages are determined.

ACTIVITIES

Do you feel knowledgeable about the material presented in this unit? The following activities will help you to apply the material.

INDIVIDUAL ACTIVITY

It is important that you are able to predict sales for a product or service. On a separate piece of paper, set up a form like the one shown below to aid you.

In the middle column of the form, identify at least two sources you might use in obtaining needed sales forecast information. In the right column, identify questions that you would want to answer when using each method of forecasting sales for your product or service.

Methods of Determining Anticipated Sales	Sources of Information	Questions to be Answered to Forecast Sales
1. Past sales	1. 2.	
2. General business conditions	1 2	
3. Competition	1. 2.	
4. Current buying trends	1. 2.	
5. Changes in operations or policies	1. 2.	

GROUP ACTIVITY

Get together in groups of four to five persons. Each group is to design a plan for surveying the need for training. Decide on a particular service or product you would like to sell. On a separate sheet of paper, indicate what each person in your group already knows and what skills each possesses. Try to measure how proficient members already are in selling the service or product. Also try to determine members' attitudes toward selling the service or product in the survey.

After the information has been gathered, develop a training plan for members of your group based on the indicated training needs. On a separate piece of paper, set up a form, like the following to develop your plan:

Name: _____

Service or Product: _____

_____

Competencies to be learned	Method to be used	Person assigned	Completion date

CASE STUDY

Larry Davis is a salesperson at Smith Home Furnishings. He is one of ten salespeople usually on the sales floor during business hours. The salespeople are supervised by the owner, Janice Smith.

Larry has been employed for sixteen weeks and has not been able to meet his sales quota. In fact, he has usually been able to meet only approximately 50 percent of the established quota. Janice knows that this average is too low for a salesperson, and decides to observe Larry's sales techniques.

After observing Larry several times she is convinced that Larry does not properly stress the benefits of the products being sold. She also believes that Larry is pushing his customers too hard in order to close the sale. Janice believes that Larry has lost several sales due to the increase of pressure during his close.

Janice currently does not have a formal training program for employees. Sales meetings are usually called about every two weeks,

but Janice feels that Larry needs more training in order to become a more successful salesperson.

1. What type of training does Larry need in order to become more successful?

2. Do you think Janice needs a formal training program for her salespeople? Explain.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. Identify factors that you should examine in sales merchandising.
2. What is merchandise planning?
3. Identify five benefits realized from a training plan.
4. Identify three basic ways in which the owner of a small business can motivate salespeople.

NOTES

[1]Samson, Harland E.; Little, Wayne G.; and Wingate, John W. *Retail Merchandising: Concepts and Applications.* 9th ed. Cincinnati: South-Western Publishing Co., 1982.

We thank the above authors for permission to reprint from their work.

OTHER SOURCES USED TO DEVELOP THIS UNIT

Dunn, Albert H.; Johnson, Eugene M.; and Kurtz, David L. *Sales Management: Concepts, Practices, and Cases.* Morristown, NJ: General Learning Press, 1974.

Hodgetts, Richard M. *Effective Small Business Management.* New York: Academic Press, 1982.

Brownstone, David M. *Selling Your Way to Success.* New York: John Wiley & Sons, 1979.

Baty, Gordon B. *Entrepreneurship for the Eighties.* Reston, VA: Reston Publishing Co., 1981.

Duncan, Delbert J., and Hollander, Stanley C. *Modern Retailing Management: Basic Concepts and Practices.* 9th ed. Homewood, IL: Richard D. Irwin, 1977.

For further information, consult the lists of additional sources in the *Resource Guide.*

Level 3

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

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